Where does COVID-19 leave the Chinese fintech market?

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Home to fintech giants including Ant Financial (Alibaba), Tencent and JD Finance, the Chinese market continues to accelerate, even making inroads into continents such as the US, Europe and Africa. But with the new coronavirus – COVID-19 – declared by the World Health Organisation (WHO) a global health emergency, could we be seeing the future of Chinese fintech stalling?

Thought to have originated in the Chinese province of Wuhan at the end of 2019, COVID-19 was officially identified and named by the WHO on 11 February 2020. The immediate and obvious impact of the potentially fatal (and contagious through human-to-human transmission) disease was to offline/physical businesses in Wuhan itself and neighbouring cities in the Hubei province. The question is what, if any, impact will we see on the fintech industry, and financial services in general?

THE IMPACT OF COVID-19 ON THE FINTECH INDUSTRY

As with any global issue of this scale, there's always an initial 'panic' impact, but once the situation is better understood, financial markets often recover fairly quickly and completely. Locally there is obvious impact, with major fintech events due to take place in Asia having been cancelled or postponed amid security and safety concerns, such as the Hong Kong Blockchain Week 2020 and Token2049 in Hong Kong, and Binance Blockchain Week in Vietnam.

The effects of the coronavirus on the local fintech market isn't all negative, however, as technology is being leveraged there to help during the outbreak, whether it's blockchain being used to ease the pressure on healthcare workers by speeding up medical data verification (at Blue Cross Asia-Pacific Insurance) or cashless payments being encouraged in Vietnam as a way to prevent the spread of the virus. Xiang Hu Bao, Ant Financial's mutual aid platform, relies on blockchain to fasten settlements and lessen cases or fraud, thus fast-tracking insurance claims payouts.

Fintech giants such as Tencent, Baidu, and Ant Financial are also among the businesses digging deep to help people affected by the outbreak – offering financial support to merchants being treated in hospitals for the virus, hospitals in need of medical supplies and scientists working on a vaccine. Ant Financial's MYBank recently announced discounts on loans for companies at the centre of the outbreak in Hubei province, with zero interest for the first three months on one-year loans, with a 20% discount for the remainder of the term.

These positive actions may well help to lessen the financial impact of COVID-19, both in terms of providing much-needed cash injections and helping the local economy bounce back as quickly as possible. And, of course, the much-welcomed good publicity gained by offering support will paint the brands, and the industry as a whole, in a positive light.

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THE CHINESE MARKET PRE-COVID-19

The fintech landscape in China has shown tremendous growth, going from an abundance of inadequately regulated services to a sector that last year challenged India for its title as top fintech hub in Asia. By using innovative products to effortlessly combine day-to-day activities with financial services, Chinese fintech companies are adding value to consumers' experiences, with new opportunities regularly emerging.

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HAVE WE SEEN ANYTHING LIKE IT BEFORE?

The obvious comparison here is the SARS (severe acute respiratory syndrome) outbreak in 2002/2003. China was also the epicentre of that outbreak, and it naturally took a toll on the country in terms of global socio-political and financial impact as well as in terms of public health.

In China at the moment, industries such as manufacturing and export are still almost completely shut down because of the coronavirus, so there's an obvious impact on the global economy, as there was with SARS. But back in 2003, the economy recovered quickly, so there is hope we'll see the same with the current crisis. However, it has been reported that there have been more deaths attributed to COVID-19 in a matter of weeks than there was during the entire eight months of the SARS outbreak (though at the moment COVID-19's fatality rate is believed to be lower than that of SARS). Another indication that the impact of this outbreak may need longer to recover is the growth of the Chinese economy in global terms over recent years. Currently, the GDP value of the Chinese economy makes up 21.95% of the world economy, but during the SARS epidemic it was only 4.5%.

There are obvious concerns that the Chinese fintech market will be severely disrupted by the spread of COVID-19, as shockwaves from the outbreak affect other markets across the globe.

It's looking unlikely that business, trade and economic issues will be resolved any time soon, but in the long term it's almost certain that confidence and investments will get back to the stage they were at before the coronavirus hit – though industry actions might be cautious for some time to come.